

Election 2011 UNSPUN



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE

RESEARCH • ANALYSIS • SOLUTIONS

September 14, 2011

Public Schools Financing

The Manitoba Real Estate Association, the Keystone Agricultural Producers and the Manitoba Chambers of Commerce have joined to form the Let's Pay Fair Coalition to influence policy during the 2011 provincial election campaign. Their aim is the complete elimination of the education levy on municipal property tax bills. They are calling on all political parties to commit to an 80/20 formula that would see the province take on an increasing share of public school funding (80% of operating) and move toward the development of a new mechanism that would eliminate property taxes from the equation.

This is not a new call to action. Educators have been calling for a greater proportion of provincial funding for many years. While most provinces receive some portion of funding for education through property taxes, Manitoba is the last to have a locally levied education tax.

Provincial funding for education peaked at over 80 percent (operating) in 1981 followed by a continuous decline thereafter. In 1991, a Conservative government established the Schools Finance Program (SFP), which reduced provincial funding for public schools while downloading responsibility to school boards. School boards responded to the loss of tens of millions of dollars in funding by cutting budgets and increasing local property taxes. In 2002, an NDP government

introduced a new funding model, which increased provincial funding for schools, although there is still not enough to meet local needs.

Who's paying what and is it fair?

In 2010, the net revenue from education property tax, after tax credits of \$94 million for homeowners and \$33 million for farmers, was \$736 million. This is about one third of overall school expenditures.

Let's Pay Fair argues that an education property tax is unfair to homeowners because it does not reflect their ability to pay. This isn't entirely true. Property values typically align with incomes, and tax credits have addressed affordability for seniors on fixed incomes and lower-income households.

Let's Pay Fair does not make clear what the fairness issue is for businesses. However, since there is an education property tax levy on businesses, they would benefit if it were eliminated.

While property assessments have risen faster than incomes, it has not meant higher property taxes for most homeowners. In Winnipeg, property taxes have been frozen for several years, resulting in a higher proportion of tax revenue allocated to school boards but no increase to homeowners.

It is also notable that when adjusted for inflation, homeowner education property taxes have decreased over the last decade. The removal of the provincial education property tax levy and



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annual increases to the education property tax credits has ensured tax relief for homeowners and farmers. In 2008, the Manitoba government introduced the "Tax Incentive Grant" to encourage school divisions to hold the line on local education property taxes, although not all divisions accepted the grant and some proceeded with increases.

Table 1, below, provides an example of school taxes for an average Winnipeg home assessed at \$264,000 in 2010. The owners of this property paid 21.4 percent less in 2010, compared with 2004.

The Manitoba Government has announced a further increase in the Education Property Tax Credit (EPTC) to \$700 per year, and an increase in the maximum seniors' EPTC to \$950 per year with future plans to increase this annually to \$1,100 by 2013. Farmers now pay, on average, a mere 1.5 percent of their total farm operating costs to education and municipal taxes.

How do we get closer to 'fair'?

There is general agreement that the Province should seriously consider a new formula for the financing of schools. However, the proposed elimination of the education levy from property taxes will result in approximately \$650 million less for local school boards that will need to be found elsewhere.

There are essentially two options: increase revenue through another form of taxation, or

redirect revenue from elsewhere. The latter usually translates into cutbacks in other services.

Let's Pay Fair has proposed a few ideas. One possibility is that a portion of the shortfall be paid through Manitoba Hydro profits. While some may support the idea of using profits from a crown corporation to reduce education property taxes, such action is unlikely to appeal to most citizens.

Some members of Let's Pay Fair have agreed to a slight increase in income tax. However, Manitoba's balanced budget legislation requires that increases be approved through referendum.

We are all well-served when public education is adequately and equitably funded so that all Manitoba children have access to quality education. If the Let's Pay Fair Coalition is serious about creating a fairer mechanism to finance public education they will need to propose a means of generating sufficient revenue to offset that to be lost through the elimination of the education property tax.

To be fair, this must be done through progressive taxation to ensure that those with the highest incomes are paying the greatest share and that tax dollars are distributed to school divisions in a manner that eliminates disparities in resources between school divisions.

Shauna MacKinnon is the director of CCPA-Manitoba

Table 1. Tax assessment for home in River East Transcona School Division

	2004	2005	2006	2007	2008	2009	2010
Assessed Value	132,200	132,200	157,900	157,900	157,900	157,900	264,000
School Division Taxes	1544.90	1610.04	1702.69	1764.22	1825.26	1862.64	1881.91
Provincial Education Taxes	270.62	143.55	0.00	0.00	0.00	0.00	0.00
(- less) Provincial Education Property Tax Credits	400.00	400.00	400.00	525.00	600.00	650.00	650.00
Total Net School Taxes Payable	1,415.52	1,353.59	1,302.69	1,239.22	1,225.26	1,212.64	1,231.91
Total Net School Taxes Payable (adjusted for inflation; in 2004 dollars)	1,415.52	1,318.00	1,245.06	1,159.81	1,121.44	1,104.05	1,112.80
% Change in School Taxes	-	-6.9%	-5.5%	-6.8%	-3.3%	-1.6%	0.8%
Cumulative % Change	-	-6.9%	-12.0%	-18.1%	-20.8%	-22.0%	-21.4%



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